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St/PB/C

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Ref:

3 Sept 59

22 September 1959

TO:

ATTN:

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FROM:

SUBJECT: Comments on CSM 33/59

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1. We would like to convey our best regards [redacted] and also to express our appreciation for his constructive comments concerning the subject memorandum.

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2. With reference to the lower figures cited in our CSM as possible production targets for 1965, [redacted] is correct in his observation that these figures refer to sales rather than to production. Our error came about as the result of using an inaccurate translation. To our chagrin, we also discovered this error but only after the CSM had been published and disseminated.

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3. We have also noted, [redacted] that Soviet production of radios and TV sets in recent years has apparently exceeded domestic sales and that the Seven Year Plan calls for a rather substantial widening of this gap. Soviet export policy does, in fact, appear to be playing a role here. In this connection, the following data taken from Soviet statistical handbooks might possibly be of some interest:

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Soviet Reports of Home Radios and TV Sets, 1955-58 a/

	TV Sets			Radio Sets		
	000 Units	000 Rubles	Implied Avege. Unit Price	000 Units	000 Rubles	Implied Avege. Unit Price
1955 b/	0	0	N.A.	45.5	4,076	90
1956 b/	15.6	8,323	533	12.7	2,087	163
1957 c/	89.2	44,111	495	14.8	3,026	204
1958 d/	87.7	36,751	420	22.1	3,073	139

a/ No imports reported.

b/ Vneshnyaya torgovlya SSSR za 1956 god (Moscow: Vneshtorgizdat, 1958), p. 22.

c/ Vneshnyaya torgovlya SSSR za 1958 god (Moscow: Vneshtorgizdat, 1959), p. 24.

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SUBJECT: [REDACTED] Comments on GEM 33/59

4. We feel constrained, however, not to interpret the movement of Soviet household electronics into export channels and the existence of end-of-year inventories as an indication that production is now or will soon be in genuine excess of popular demand. Even should the (perhaps controversial) Soviet figures on numbers of radio and television sets in use be arbitrarily doubled, the resulting numbers would not appear to represent true market saturation in a country of 210 million people.

5. The motives underlying the Soviet policy of exporting substantial numbers of TV sets in 1957-58 are somewhat ambiguous to us. It does seem clear, however, that the export prices of these TV receivers have been set significantly lower than the prices at which TV sets are sold on the internal retail market. With regard to accumulating stocks of radio sets, it is possible that public preference would be shifting in favor of TV sets. But this leaves unanswered the question relating to the many millions of Soviet citizens who do not presently own individual radio sets and who are not served by TV transmitters. We incline to the view that many of the radios put on the Soviet retail market in recent years are simply too expensive for the average purchaser. Some support for this view is to be found in the recent institution of installment buying (hire purchase) of radios in many areas of the USSR.

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6. We can appreciate [REDACTED] conjectures about the meaning of the figure of only 9.5 million radio sets in use in the USSR as of May 1959, since the rate of set retirement implied by this figure is shockingly high. Yet, we are prepared to accept this as a reasonably accurate reflection of the prevailing situation in the USSR since essentially the same figure is repeated in other Soviet sources. Reference may be made, for example, to Vestnik Svyazi, No. 11, 1958, p. 2 and to the charts on the back cover of Radio, No. 1, 1959.

7. If one combines Soviet data on numbers of sets in existence with known production statistics, the following interesting relationships appear:

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SUBJECT: [REDACTED] Comments on CSM 33/59

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
<u>Radio Sets:</u>					
No. in existence (millions) <u>a/</u>	4.7	6.1	7.4	8.3	9.5
Increase over previous year (millions)		1.4	1.3	1.0	1.2
No. produced (millions) <u>b/</u>	2.9	3.5	3.8	3.5	3.9
<u>TV Sets:</u>					
No. in existence (millions) <u>a/</u>	.45	.82	1.3	1.8	2.5
Increase over previous year (millions)		.37	.48	.50	.70
No. produced (millions) <u>b/</u>	.25	.50	.60	.70	1.0

a/ Transport i svyaz' SSSR, (Moscow: Gosstatizdat, 1957), p. 243.

Radio, No. 1, 1959, back cover.

b/ Statistical handbooks and annual plan fulfillment reports.

If, in fact, the relationship between current production and retirement is more favorable to the Soviets than these figures indicate, we are at a loss to explain why this is not reflected in their statistical reporting which generally puts the best light on Soviet accomplishments.

25X1X7 8. Thanks again to [REDACTED] together with the hope that he and [REDACTED] have found some things of interest in the U.S. Electronics Delegation report recently forwarded to them.

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[REDACTED]

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